

March 18, 2005

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Samuel W. Bodman
Secretary of Energy
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585
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Director Bolten and Secretary Bodman:

We, the undersigned state utility regulatory commissioners, write in opposition to the provision included in the administration's Fiscal Year 2006 budget pertaining to the federal power marketing administrations (PMAs). We urge you to withdraw the proposal to force PMAs to charge "market-based rates." We also urge you to withdraw the proposal to reallocate costs from other purposes (like irrigation) for repayment by electric users, as well as the proposal to count against the Bonneville Power Administration's (BPA) borrowing authority any third-party financing BPA may use to accomplish critically needed investment in new infrastructure. These proposals will have substantial negative consequences for electric service reliability and for the economy and citizens of our states.

The PMAs that operate in our states include the Western Area Power Administration, the Bonneville Power Administration, the Southeastern Power Administration, and the Southwestern Power Administration. These PMAs provide power and transmission services to both public power systems and investor-owned utilities. The American Public Power Association estimates that, taken together, the PMAs serve 35 million customers including irrigators, rural communities, military bases as well as some of our largest cities.

Cost-based power from the PMAs is essential to the health of the economy in our states. Arbitrarily raising PMA power rates by as much as 20% a year until rates double in five years would place an unnecessary and unjustified burden on the already stressed economies of communities that depend on PMA service. The effect will only be to cripple these communities in the long run.

The argument that PMA electric rates are artificially low and subsidized by the nation's taxpayers is simply inaccurate. PMA electric rates are set to recover the full costs of electric service, including in many cases the costs of non-power-related obligations such as irrigation, fish and wildlife restoration, and recreation. In fact, some PMAs, notably the Bonneville Power Administration, are today paying debt costs at rates refinanced in the 1990s that exceed the current Treasury borrowing rates.

We also oppose the proposal to count third-party financing against PMA borrowing authority. This proposal will unnecessarily undermine the ability of PMAs like the Bonneville Power Administration to accomplish improvements in the already stressed transmission grids that are the framework for reliable electric service in many of our states.

Director Bolten and Secretary Bodman, we understand the Budget Committees of the House and the Senate have not assumed the savings from your proposal to require the PMAs to charge market rates in the mark-ups of the respective budget reconciliation bills. We are grateful for these provisions. But we remain deeply concerned that this particular PMA proposal could be included in an appropriations bill later in the year or another Congressional bill that may emerge from either the House or Senate. Accordingly, we urge you to withdraw these provisions from the proposed Fiscal Year 2006 budget and to oppose any similar provision that may be attached to any other Congressional bill that may come to you for comment and review.

Sincerely,

Chairman Bob Anthony
Oklahoma Corporation Commission

Commissioner E. Shirley Baca
New Mexico Public Regulation Commission

Member Eugene B. Bade
Nebraska Power Review Board

Commissioner Ray Baum
Oregon Public Utilities Commission

Chairman Lee Beyer
Oregon Public Utilities Commission

Commissioner Denise A. Bode
Oklahoma Corporation Commission

Commissioner Ted Boyer
Utah Public Service Commission

Chairman Ric Campbell
Utah Public Service Commission

President Tony Clark
North Dakota Public Service Commission

Commissioner Mignon L. Clyburn
South Carolina Public Service Commission

Commissioner J. Richard Conder
North Carolina Utilities Commission

Commissioner Kevin Cramer
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Commissioner Sam J. Ervin, IV
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Commissioner Elizabeth B. Fleming
South Carolina Public Service Commission

Commissioner Steve Furtney
Wyoming Public Service Commission

Chairman Mark David Goss
Kentucky Public Service Commission

Commissioner G. O'Neal Hamilton
South Carolina Public Service Commission

Chairman Gary Hanson
South Dakota Public Utilities Commission

Commissioner John E. Howard
South Carolina Public Service Commission

Member Mark A. Hunzeker
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Chairman Bob Hurless
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Chairman Greg Jergeson
Montana Public Service Commission

Commissioner Dustin Johnson
South Dakota Public Utilities Commission

Commissioner Philip Jones
Washington Utilities and Transportation Commission

Director Ron Jones
Tennessee Regulatory Authority

Commissioner Lorinzo L. Joyner
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Member Ken Kunze
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Commissioner R. Michael Shaw
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Chairman Mark Sidran
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Chairman Edward H. Staats
West Virginia Public Service Commission

Commissioner George C. Wallace, Jr.
Alabama Public Service Commission

Commissioner Susan Wefald
North Dakota Public Service Commission

Commissioner Constance B. White
Utah Public Service Commission

Commissioner David A. Wright
South Carolina Public Service Commission

Cc: Chairman Judd Gregg, Senate Budget Committee
Senator Kent Conrad, Ranking Member, Senate Budget Committee

Chairman Thad Cochran, Senate Appropriations Committee
Senator Robert C. Byrd, Ranking Member, Senate Appropriations Committee

Chairman Pete V. Domenici, Senate Appropriations Sub-Committee on Energy and
Water Development
Senator Harry Reid, Ranking Member, Senate Appropriations Sub-Committee on
Energy and Water Development

Chairman Pete V. Domenici, Senate Energy and Natural Resources Committee
Senator Jeff Bingaman, Ranking Member, Senate Energy and Natural Resources

Chairman Jim Nussle, House Budget Committee
Representative John Spratt, Ranking Member, House Budget Committee

Chairman Jerry Lewis, House Appropriations Committee
Representative David R. Obey, Ranking Member, House Appropriations Committee

Chairman David Hobson, House Appropriations Sub-Committee on Energy and
Water Development
Representative Peter J. Visclosky, Ranking Member, House Appropriations Sub-
Committee on Energy and Water Development

Chairman Joe Barton, House Energy and Commerce Committee
Representative John D. Dingell, Ranking Member, House Energy and Commerce